

WATER/ABJ/HJL:jjj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Advisory Branch

RESOLUTION NO. W-4338
June 27, 2002

R E S O L U T I O N

**(RES. W-4338), CALIFORNIA WATER SERVICE COMPANY,
BAKERSFIELD DISTRICT (CWS). ORDER AUTHORIZING A
RATE BASE OFFSET REVENUE INCREASE OF \$795,900 OR
2.77% ADDITIONAL ANNUAL REVENUE.**

SUMMARY

By Advice Letter 1513-W, filed April 3, 2002, CWS seeks to increase rates to reflect an increase in rate base for the first phase of the Northeast Bakersfield Water Supply Project (NBWSP). This resolution grants CWS' request for authority to increase rates by \$795,900 or 2.77% to cover increased carrying costs associated with the capital invested through February 2002, on the project. The increase will not result in a rate of return greater than last authorized for CWS' Bakersfield District.

BACKGROUND

CWS filed this advice letter in accordance with Decision (D.) 01-08-039 Ordering Paragraph 6 which authorized CWS "to file advice letters seeking to recover in rates the reasonable costs of the capital additions specified in the stipulation for the Bakersfield and South San Francisco Districts."

Section 7.05 of the stipulation approved in D.01-08-039 states, in part:

“....the Parties agree that CWS should be authorized to file three advice letters for the revenue requirement associated with the incremental cost of the treatment plant, including labor, operating expenses, and interest during construction (IDC). Furthermore, the Parties agree that one advice letter may be filed in 2002, a second in 2003, and the third after the treatment plant is in service. Moreover, for the advice letters only, the capital costs should be limited to \$31.0 million, not including IDC. ...”

CWS is constructing a large state-of-the-art micro filtration water treatment plant in northeast Bakersfield to improve water quality and augment water supply. This request is the first to be filed in compliance with D.01-08-039 to cover capital investment costs and incremental operating costs for the new facility. Completion is expected in mid-2003.

The current rates were established on January 1, 2002, pursuant to Advice Letter No. 1500 that authorized a step rate increase of \$716,800 or 2.6%.

DISCUSSION

CWS indicates that its Bakersfield District will be severely impacted by the new state and federal standards for arsenic, with an expected loss of ten to fifteen million gallons of daily groundwater supply. In addition, the district is growing, and needs new sources to ensure that Bakersfield District can meet its future water supply needs. The California Department of Health Services' Drinking Water Field Operations Branch has verified the above information with the Commission's Water Division (Division).

The NBWSP authorized in D.01-08-039 will improve water quality and supply for the 57,000 customers in CWS's Bakersfield District by allowing CWS to substitute surface water for groundwater. CWS is constructing, in cooperation with the City of Bakersfield, a twenty million gallon per day micro filtration water treatment plant and associated facilities to deliver water to customers.

The advice letter shows that CWS has expended \$6,162,669 as of February 28, 2002, out of the limit for the advice letters of \$31,000,000 plus interest during construction. Because the work is still in progress, depreciation has not been added to the revenue requirement. While CWS is allowed to request additional operating costs of the new facilities, none are expected to occur until later this year.

The Division analyzed CWS' request, supporting workpapers, and supplementary data, and concurred with CWS' estimates.

At the proposed rates, the monthly bill for a 5/8 x 3/4 inch metered customer using 27 Ccf (One Ccf is equal to one hundred cubic feet) of water will increase by \$0.66 from \$30.60 to \$31.26.

CWS is currently earning a rate of return of 6.34% on a recorded basis and 9.49% on a pro forma basis, which is below its adjusted authorized rate of return of 9.55%.

SERVICE NOTICE AND PROTESTS

Notice of the proposed rate increase was published in the Bakersfield Californian on May 3, 2002. No protests were received. Service is satisfactory.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements.

The utility has been filing annual reports as required.

FINDINGS AND CONCLUSIONS

1. The proposed rates are reasonable and should be authorized.

THEREFORE IT IS ORDERED THAT:

1. California Water Service Company, Bakersfield district is authorized to make effective the revised rate schedules BK-1, General Metered Service, and

BK-2R, Residential Flat Rate Service, attached to Advice Letter No. 1513 and concurrently to cancel its presently effective rate schedules. The effective date of the new schedules shall be five days after the effective date of this resolution.

2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 27, 2002; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President
HENRY M. DUQUE
CARL W. WOOD
GEOFFREY F. BROWN
MICHAEL R. PEEVEY
Commissioners